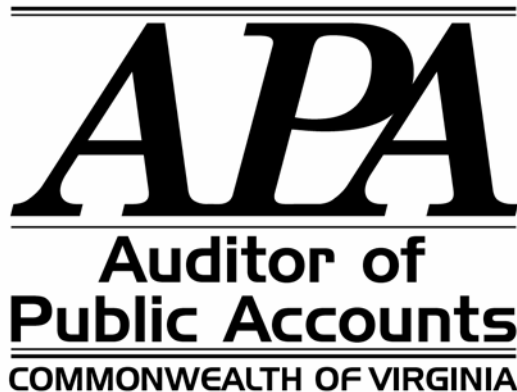


LONGWOOD UNIVERSITY

**INTERCOLLEGIATE ATHLETICS PROGRAMS
FOR THE YEAR ENDED
JUNE 30, 2006**



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Commonwealth of Virginia

Walter J. Kucharski, Auditor

**Auditor of Public Accounts
P.O. Box 1295
Richmond, Virginia 23218**

January 9, 2007

The Honorable Timothy M. Kaine
Governor of Virginia

The Honorable Thomas K. Norment, Jr.
Chairman, Joint Legislative Audit
And Review Commission

Dr. Patricia P. Cormier
President, Longwood University

INDEPENDENT AUDITOR'S REPORT ON APPLICATION OF AGREED-UPON PROCEDURES

We have performed the procedures enumerated below, which were agreed to by the President of the **Longwood University** (University) solely to assist the University in evaluating whether the accompanying Schedule of Revenues and Expenses of Intercollegiate Athletics Programs of the University is in compliance with National Collegiate Athletic Association (NCAA) Bylaw 6.2.3 for the year ended June 30, 2006. The University's management is responsible for the Schedule of Revenues and Expenses of Intercollegiate Athletics Programs and the Schedule's compliance with NCAA requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the University. Consequently, we make no representation regarding sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Agreed-Upon Procedures Related to the Schedule of Revenues and Expenses of Intercollegiate Athletics Programs

The procedures that we performed and our findings are as follows:

Internal Controls

1. We reviewed documentation of accounting systems and operating procedures. We reviewed the relationship of internal control over Intercollegiate Athletics Programs to internal control reviewed in connection with our audits of the University's financial statements. In addition, we identified and reviewed those controls unique to intercollegiate athletics programs, which were not reviewed in connection with our audit of the University's financial statements.
2. We reviewed an organizational chart provided by the Intercollegiate Athletics Department and discussed it with appropriate personnel. We also made certain inquiries of management regarding control consciousness, the use of internal audit in the department, competence of personnel, and protection of records and equipment.

3. The University provided us with their procedures for gathering information on the nature and extent of affiliated and outside organizational activity for or on behalf of the intercollegiate athletics programs.

Affiliated and Outside Organizations

4. Intercollegiate Athletics Department management identified all intercollegiate athletics-related affiliated and outside organizations and provided us with copies of audited financial statements for each such organization for the reporting period.
5. The Intercollegiate Athletics Department prepared and provided to us a summary of revenues and expenses for or on behalf of the intercollegiate athletics programs by affiliated and outside organizations included in the Schedule.
6. We requested any additional reports regarding internal control matters identified during the independent audits of affiliated and outside organizations and inquired as to the corrective action taken in response to such comments. We noted that the affiliated organizations had been audited by independent public accountants and we were not made aware of any internal control findings.

Schedule of Revenues and Expenses of Intercollegiate Athletics Programs

7. We obtained the Schedule of Revenues and Expenses of Intercollegiate Athletics Programs (Schedule) for the year ended June 30, 2006, as prepared by the University and shown in this report. We recalculated the addition of the amounts on the Schedule, traced the amounts on the Schedule to management's worksheets, and agreed the amounts on management's worksheets to the Intercollegiate Athletics Department's accounts in the accounting records. We noted no differences between the amounts in the Intercollegiate Athletics Department's accounts in the accounting records and the amounts on the worksheets. We discussed the nature of worksheet adjustments with management and are satisfied that the adjustments are appropriate.
8. We applied certain analytical review techniques to the balances reported on the Schedule in order to determine the reasonableness of amounts reported therein. These techniques included trend analyses and other tests using operating data and review of actual amounts expended in comparison to budgeted amounts.

Revenues

9. We compared each major revenue account to prior period amounts and budget estimates. We obtained and documented an understanding of all significant variances.
10. Intercollegiate Athletics Department management provided us with a reconciliation of tickets sold during the reporting period along with complimentary tickets and unsold tickets to the revenue recorded in the Schedule and related attendance figures. We reviewed these reconciliations for selected games and found such reconciliations to be accurate and agreed to amounts recorded as ticket revenue for those games.
11. We compared student fees reported in the Schedule to amounts reported in the accounting records and an expected amount based on fee rates and enrollment. We found these amounts to be materially in agreement.

12. Intercollegiate Athletics Department management provided us with settlement reports and game guarantee agreements for away games during the reporting period. We reviewed these settlement reports and guarantee agreements for selected games and agreed significant amounts to supporting documentation.
13. Intercollegiate Athletics Department management provided us with a listing of all contributions of moneys, goods or services received directly by the Intercollegiate Athletics Department from any affiliated or outside organization, agency or group of individuals that constitutes ten percent or more of all contributions received during the reporting period. We vouched each individual contribution received directly by the University for its intercollegiate athletics programs that constituted more than ten percent of the contributions so received. Except for contributions received from the Longwood University Foundation, Incorporated, an affiliated organization, we noted no individual contribution which constituted more than ten percent of total contributions received for intercollegiate athletics.
14. From the summary of revenues and expenses for or on behalf of the intercollegiate athletics programs by affiliated and outside organizations, we selected and tested receipts of such revenue and agreed each selection to supporting documentation and proper posting in the accounting records. We found all reviewed transactions to be in agreement.
15. Based on analytical review, we deemed revenues from tournaments, conference distributions and NCAA distributions to be reasonable. We deemed these revenues to be immaterial for detailed testing.
16. Based on analytical review, we deemed revenues from royalties, advertisements and sponsorships to be reasonable. We deemed these revenues to be immaterial for detailed testing.
17. We obtained an understanding of the University's methodology for recording revenues from sport camps. Based on analytical review, we deemed revenues from sports camps reasonable and immaterial for detailed testing.
18. Based on receipts as listed in the accounting records, we selected and tested collections by the intercollegiate athletics programs. We found all reviewed amounts to be in agreement with supporting documentation, deposited promptly and intact, and properly recorded in the accounting records.

Expenses

19. We compared each major expense account to prior period amounts and budget estimates. We obtained and documented an understanding of all significant variances.
20. Intercollegiate Athletics Department management provided us a listing of institutional student aid recipients during the reporting period. We selected individual student athletes across all sports and agreed amounts from the listing to their award letter. We also ensured that the total aid amount for each sport materially agreed to amounts reported as Financial Aid in the student accounting system.
21. Based on analytical review, we deemed game expenses for home games to be reasonable. We deemed these expenses to be immaterial for detailed testing.

22. Intercollegiate Athletics Department management provided us with a listing of coaches, support staff, and administrative personnel employed and paid by the University during the reporting period. We selected and tested individuals and compared amounts paid for one pay period or a bonus payment from the payroll accounting system to their contract or other employment agreement document. We found that recorded expenses equaled amounts paid as salary and bonuses and were in agreement with approved contracts or other documentation.
23. We deemed severance payments to be immaterial for detailed testing.
24. We discussed the University's recruiting expense and team travel policies with Intercollegiate Athletics Department management and documented an understanding of those policies.
25. We obtained an understanding of the University's methodology for allocating administrative and facilities support expenses and ensured that amounts reported on the Schedule agreed to amounts recorded in the accounting records.
26. Based on disbursements as listed in the accounting records, we selected and tested payments to third parties by the intercollegiate athletics programs. These disbursements were for supplies, equipment, travel, and other general expenses. We compared and agreed the selected operating expenses to adequate supporting documentation. We found all reviewed amounts to be properly approved, in agreement with supporting documentation, and properly recorded in the accounting records.

We were not engaged to and did not, conduct an examination; the objective of which would be the expression on an opinion on the Schedule of Revenues and Expenses of Intercollegiate Athletics Programs or any of the accounts or items referred to above. Accordingly, we do not express such an opinion. Had we performed additional procedures or had we made an audit of any financial statements of the Intercollegiate Athletics Department of Longwood University in accordance with generally accepted auditing standards, other matters might have come to our attention that would have been reported to the University. This report relates only to the accounts and items specified above and does not extend to the financial statements of the University or its Intercollegiate Athletics Department taken as a whole.

This report is intended solely for the information and use of the President and the University and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

AUDITOR OF PUBLIC ACCOUNTS

WHC:jab
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SCHEDULE

LONGWOOD UNIVERSITY
SCHEDULE OF REVENUES AND EXPENSES OF
INTERCOLLEGIATE ATHLETICS PROGRAMS
For the Year Ended June 30, 2006

| | Men's Basketball | Women's Basketball |
|--|---------------------|-----------------------|
| Operating revenues: | | |
| Ticket sales | \$ 4,903 | \$ 2,145 |
| Student fees | 516,278 | 460,688 |
| Guarantees | 238,500 | 35,500 |
| Contributions | 9,523 | 30,539 |
| Indirect facilities and administrative support | 5,428 | 2,349 |
| NCAA and conference distributions | - | - |
| Royalties, advertisements, and sponsorships | 2,970 | 1,750 |
| Sports camp revenues | 2,550 | 206 |
| Endowment and investment income | - | 2,092 |
| Other | - | - |
| Total operating revenues | 780,152 | 535,269 |
| Operating expenses: | | |
| Athletics student aid | 214,836 | 177,485 |
| Guarantees | 4,000 | 7,500 |
| Coaching salaries, benefits, and bonuses | 222,687 | 185,550 |
| Support staff and administrative salaries, benefits, bonuses | - | - |
| Severance payments | - | 13,753 |
| Recruiting | 19,469 | 15,058 |
| Team travel | 94,167 | 59,050 |
| Equipment, uniforms, and supplies | 23,580 | 9,904 |
| Game expenses | 19,962 | 12,119 |
| Fundraising, marketing, and promotion | 3,997 | 2,815 |
| Sports camp expenses | 2,134 | 206 |
| Direct facilities, maintenance, and rental | 12,195 | 12,195 |
| Spirit groups | 2,074 | 2,074 |
| Indirect facilities and administrative support | 5,428 | 2,349 |
| Medical expenses and insurance | - | - |
| Membership dues | - | - |
| Other | 4,418 | 18,511 |
| Total operating expenses | 628,947 | 518,569 |
| Excess/(deficiency) of revenues over/(under) expenses | \$ 151,205 | \$ 16,700 |

*Other sports include baseball, cross country, field hockey, golf, lacrosse, soccer, softball, and tennis

The accompanying Notes to the Schedule of Revenues and Expenses of Intercollegiate Athletics Programs are an integral part of this schedule.

| Non-Program | | |
|---------------|------------|------------|
| Other Sports* | Specific | Total |
| \$ - | \$ - | \$ 7,048 |
| 2,030,110 | 1,170,104 | 4,177,180 |
| 13,000 | - | 287,000 |
| 81,036 | 283,466 | 404,564 |
| - | 101,204 | 108,981 |
| - | 1,429 | 1,429 |
| 6,585 | 93,590 | 104,895 |
| 81,867 | 12,382 | 97,005 |
| 10,197 | 5,295 | 17,584 |
| 34,024 | 111 | 34,135 |
| 2,256,819 | 1,667,581 | 5,239,821 |
| 882,472 | - | 1,274,793 |
| 3,155 | - | 14,655 |
| 716,113 | - | 1,124,350 |
| - | 894,964 | 894,964 |
| - | - | 13,753 |
| 22,498 | - | 57,025 |
| 293,880 | - | 447,097 |
| 109,360 | 9,018 | 151,862 |
| 36,410 | 1,750 | 70,241 |
| 20,007 | 4,251 | 31,070 |
| 66,982 | 12,294 | 81,616 |
| 308,823 | 39,763 | 372,976 |
| - | - | 4,148 |
| - | 101,204 | 108,981 |
| - | 64,608 | 64,608 |
| 7,356 | 635 | 7,991 |
| 38,647 | 247,799 | 309,375 |
| 2,505,703 | 1,376,286 | 5,029,505 |
| \$ (248,884) | \$ 291,295 | \$ 210,316 |

LONGWOOD UNIVERSITY
NOTES TO THE SCHEDULE OF REVENUES AND EXPENSES OF
INTERCOLLEGIATE ATHLETICS PROGRAMS

AS OF JUNE 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis Of Presentation

The accompanying Schedule of Revenues and Expenses of Intercollegiate Athletics Programs has been prepared on the accrual basis of accounting. The purpose of the Schedule is to present a summary of revenues and expenses of the intercollegiate athletics programs of the University for the year ended June 30, 2006. The Schedule includes those intercollegiate athletics revenues and expenses made in behalf of the University's athletic programs by outside organizations not under the accounting control of the University. Because the Schedule presents only a selected portion of the activities of the University, it is not intended to and does not present either the financial position, changes in financial position, or cash flows for the year then ended. Revenues and expenses directly identifiable with each category of sport presented are reported accordingly. Revenues and expenses not directly identifiable to a specific sport are reported under the category "Administrative and General."

B. Capital Assets

Capital assets include land, buildings and other improvements, library materials, equipment and infrastructure assets such as sidewalks, steam tunnels, and electrical and computer network cabling systems. Capital assets are generally defined by the University as assets with an initial cost of \$5,000 or more and an estimated useful life in excess of two years. Library materials are valued using actual cost for acquisitions and published average prices for disposals. Such assets are recorded at actual cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation. Expenses for major capital assets and improvements are capitalized (construction in progress) as projects are constructed. Interest expense relating to construction is capitalized net of interest income earned on resources set aside for this purpose. The costs of normal maintenance and repairs that do not add to an asset's value or materially extend its useful life are not capitalized. Certain maintenance and replacement reserves have been established to fund costs relating to residences and other auxiliary activities.

Depreciation is computed using the straight-line method over the estimated useful life of the asset and is not allocated to the functional expense categories. Useful lives by asset categories are listed below:

| | |
|--|------------|
| Buildings | 50 years |
| Other improvements and infrastructures | 20 years |
| Equipment | 5-15 years |
| Library materials | 10 years |

The net book values for fixed assets for the intercollegiate athletics programs at June 30, 2006 are as follows:

| | |
|--------------------------|-------------|
| Buildings | \$2,471,452 |
| Construction-In-Progress | \$4,135,870 |
| Equipment | \$ 24,755 |
| Land | \$ 390,900 |

2. AFFILIATED ORGANIZATION

The University received \$404,564 from the Longwood University Foundation, Inc. for the intercollegiate Athletics programs. These contributions are included in the accompanying schedule.

3. ENDOWMENTS

The University does not have endowments which are received for the use of the athletic department. Endowments received are shown on the books of the Longwood University Foundation, Inc. which is a related party. Endowment investment income totaling \$17,584 was given to the University by the Foundation and is shown on the accompanying schedule.

4. LONG-TERM INDEBTEDNESS

There was a mandatory transfer of \$280,730 from the intercollegiate athletic programs for principal and interest payments on the construction for the year ended June 30, 2006. Of this total, \$230,217 was debt service on the Lacrosse/Field Hockey Complex construction, \$26,122 was debt service on the soccer field construction, and \$24,391 was debt service on the Willet Hall renovation.

Long-term debt relating to intercollegiate athletics is shown below.

| <u>Description</u> | <u>Interest Rates</u> | <u>Maturity</u> | <u>June 30, 2006</u> |
|--------------------------------------|-----------------------|-----------------|----------------------|
| Section 9(d) Bonds: | | | |
| Lacrosse/field hockey, Series 2004A | 3.000-5.000 | 2024 | \$3,035,000 |
| Soccer fields, Series 2005A | 3.750-5.000 | 2025 | \$1,650,000 |
| Lancer Gym/Willet Hall, Series 2005A | 3.500-5.000 | 2025 | \$1,540,000 |
| Total | | | <u>\$6,225,000</u> |

Long-term debt matures as follows:

| <u>Year Ended</u> | <u>Principal</u> | <u>Interest</u> |
|-------------------|---------------------|--------------------|
| 2007 | \$ 190,000 | \$ 289,856 |
| 2008 | 215,000 | 283,094 |
| 2009 | 220,000 | 275,256 |
| 2010 | 230,000 | 265,875 |
| 2011 | 235,000 | 256,019 |
| 2012-2016 | 1,385,000 | 1,089,594 |
| 2017-2021 | 1,765,000 | 701,363 |
| 2021-2025 | <u>1,985,000</u> | <u>222,966</u> |
| Total | <u>\$ 6,225,000</u> | <u>\$3,384,023</u> |

5. ADMINISTRATIVE COST RECOVERY

In fiscal year 2006, the amount of recovery cost for intercollegiate athletics programs based on the State Council of Higher Education for Virginia's approved recovery rate was \$285,609. Of this total, \$182,685 is included in support staff and administrative salaries, benefits, bonuses paid by Longwood and related parties, and \$102,925 is included in the other operating expense line on the accompanying schedule. The SCHEV cost recovery rate applicable for fiscal year 2006 was 12.09%.

LONGWOOD UNIVERSITY
Farmville, Virginia

BOARD OF VISITORS

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